

EVANSDALE MUNICIPAL HOUSING AUTHORITY

**Independent Auditor's Reports
Basic Financial Statements & Supplementary Information
Schedule of Findings
Year Ended June 30, 2009**

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EVANSDALE MUNICIPAL HOUSING AUTHORITY

Officials

Name	Title	Term Expires
Darnell Jones	Chairperson	Jan 2011
John Mardis	Vice-Chairperson	Jan 2011
Dean Payne	Member	Jan 2011
Albert Chidester	Member	Jan 2010
Tanya Petty	Member	Jan 2011
Michael Benning	Executive Director	Indefinite

Independent Auditor's Report

To the Board of Directors
of Evansdale Municipal Housing Authority

I have audited the accompanying basic financial statements of Evansdale Municipal Housing Authority as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Evansdale Municipal Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

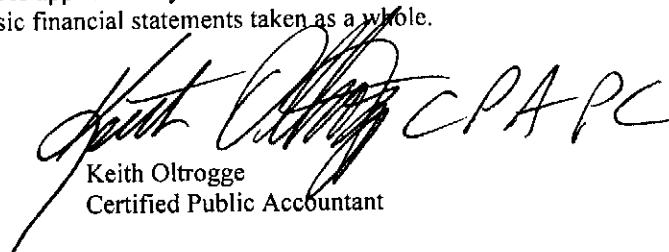
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Evansdale Municipal Housing Authority as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my reports dated December 14, 2009 on my consideration of Evansdale Municipal Housing Authority's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Evansdale Municipal Housing Authority's basic financial statements. Other supplementary information included in Schedules I through 4, including the Financial Data Schedule and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

December 14, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Evansdale Municipal Housing Authority provides this Management's Discussion and Analysis of Evansdale Municipal Housing Authority's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Housing Authority's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The Housing Authority's operating income decreased by 4.5%, or approximately \$18,000, from fiscal 2008 to fiscal 2009. This is due primarily to a large decrease in operating income. Operating grants were reduced by 10% or approximately \$60,000.
- Operating expenses increased 14%, or approximately \$34,000, from fiscal 2008 to fiscal 2009. This increase reflects increased employee benefits and supply costs for maintenance and repairs to the low rent housing units.
- The Housing Authority's net assets decreased 3%, or approximately \$44,000, from June 30, 2008 to June 30, 2009. This is due to a large decrease in operating income and a large increase in operating expenses.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Housing Authority's financial activities.

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the activities of the Housing Authority.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Supplementary Information provides detailed information about the operations of the Housing Authority. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Housing Authority.

REPORTING THE HOUSING AUTHORITY'S FINANCIAL ACTIVITIES

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Housing Authority's finances is "Is the Housing Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the Housing Authority's resources and its activities in a way that helps answer this question. These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Housing Authority's net assets, which is the difference between assets and liabilities, as one way to measure the Housing Authority's financial health or financial position. Over time, increases or decreases in the Housing Authority's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Housing Authority's tenant base, changes in legislation and regulations, measure of the quantity and quality of services provided to its tenants and local economic conditions, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

FINANCIAL ANALYSIS OF THE HOUSING AUTHORITY

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Housing Authority's net assets decreased by \$44,000 (3%) from fiscal 2008 to fiscal 2009. This is due to a large decrease in operating income and an increase in operating expenses.

Current assets decreased by 4% or approximately \$62,000. This is due to decreased cash and receivables. Total liabilities decreased by 34% or approximately \$18,000. This is due to a decrease in accounts payable to vendors.

The overall decrease in net assets changed by 3%. This is primarily due to a large decrease in operating income.

Assets, Liabilities and Net Assets				
June 30				
	2009	2008	2007	2006
Current assets	\$ 296,365	\$ 364,793	\$ 273,252	\$ 210,659
Capital assets, net of depreciation	1,222,369	1,216,148	1,253,393	1,281,173
Total assets	\$ 1,518,734	\$ 1,580,941	\$ 1,526,645	\$ 1,491,832
Total Liabilities	\$ 35,284	\$ 53,603	\$ 28,176	\$ 27,230
Net assets:				
Invested in capital assets, net of related debt	\$ 1,222,369	\$ 1,216,148	\$ 1,253,393	\$ 1,281,173
Restricted	73,455	161,690	203,297	-
Unrestricted	187,626	149,500	41,779	183,429
Total net assets	\$ 1,483,450	\$ 1,527,338	\$ 1,498,469	\$ 1,464,602

The following shows the changes in net assets for the Housing Authority.

Revenues, Expenses and Changes in Net Assets				
Years Ended June 30, 2009, 2008, 2007 and 2006				
	2009	2008	2007	2006
Operating revenues:				
Tenant rent revenue	\$ 73,078	\$ 70,487	\$ 74,195	\$ 71,036
Operating grants	530,978	591,540	633,868	709,950
Other operating revenues	8,403	9,061	3,597	2,231
Total operating revenues	\$ 612,459	\$ 671,088	\$ 711,660	\$ 783,217
Operating expenses:				
General service	\$ 107,202	\$ 86,787	\$ 109,620	\$ 68,168
Fiscal and administrative service	130,934	117,484	135,956	119,944
Total operating expenses	\$ 238,136	\$ 204,271	\$ 245,576	\$ 188,112
Operating income	\$ 374,323	\$ 466,817	\$ 466,084	\$ 595,105
Non-operating revenues (expenses):				
Grants	\$ 66,639	\$ 35,251	\$ 38,400	\$ 28,809
HAP payments	-404,819	-409,841	-385,910	-417,207
Provision for depreciation	-78,023	-74,641	-82,074	-77,833
Interest income	6,233	12,349	5,502	239
Total non-operating revenues (expenses)	\$ -409,970	\$ -436,882	\$ -424,082	\$ -465,992
Increase (decrease) in net assets	\$ -35,647	\$ 29,935	\$ 42,002	\$ 129,113

Operating Income

The first component of the overall change in the Housing Authority's net assets is its operating income, which is the difference between the sum of the tenant rent revenue, operating grants and other operating revenues and the expenses incurred to perform those services. Operating income is consistent with the Housing Authority's operating history as the Housing Authority was formed and is operated primarily to serve residents of the City of Evansdale and the surrounding area. The Housing Authority receives grants from the U.S. Department of Housing and Urban Development (HUD) to provide resources to enable the facility to serve lower income and other residents without the ability to pay for services received.

Operating revenues decreased approximately \$59,000. This decrease comes from decreased funds received from HUD.

General service expenses include plant operating expenses and utilities. These costs increased due to increased employee benefits and supply costs for maintenance and repairs done on the public housing units.

Fiscal and administrative service expenses include salaries and wages and related employee benefits.

Non-operating revenues and expenses consist primarily of grants and investment income. The increase in non-operating grants is due to receiving stimulus funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Housing Authority had \$1,222,369 invested in capital assets, net of accumulated depreciation, as detailed in Note 3 to the financial statements. In fiscal 2009, the Housing Authority acquired or constructed capital assets costing \$119,496.

Long-term Debt

At June 30, 2009, the Housing Authority had no outstanding debt.

ECONOMIC FACTORS

Evansdale Municipal Housing Authority's financial position improved slightly during the current fiscal year despite decreased funding from HUD. The current condition of the economy in the state and the nation continues to be a concern for Housing Authority officials. Some of the realities that may have become challenges for the Housing Authority to meet are:

- Utility costs are increasing.
- Facilities at the Housing Authority require constant maintenance and upkeep as they age.
- Expected reductions in HUD reimbursement rates.
- The Housing Authority anticipates the current fiscal year will also be difficult. The Housing Authority will maintain a close watch over resources.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our tenants, suppliers and taxpayers with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have any questions about this report and/or need additional financial information, contact Michael Benning, 119 Morrell Court, Evansdale IA 50707.

Basic Financial Statements

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Statement of Net Assets

June 30, 2009

Assets

Current assets:

Cash and cash equivalents-unrestricted	\$ 38,370
Cash and cash equivalents-restricted	84,187
Cash and cash equivalents-tenant security deposits	5,625
Investments	145,240
Receivables:	
Accounts receivable – HUD	13,142
Fraud recovery, net of allowance for doubtful accounts of \$7,050	2,324
Accrued interest receivable	408
Prepaid expense	7,069
Total current assets	<u>\$ 296,365</u>

Non-current assets:

Capital assets	\$ 2,544,561
Less accumulated depreciation	-1,322,192
Net capital assets	<u>\$ 1,222,369</u>

Total assets\$ 1,518,734**Liabilities**

Current liabilities:

Accounts payable-vendors	\$ 7,331
Accrued payroll taxes	6,617
Accounts payable-other government	6,012
Tenant security deposits	5,625
Accrued compensated absences	8,327
Deferred revenue	1,372
Total Liabilities	<u>\$ 35,284</u>

Net assets

Invested in capital assets, net of related debt	\$ 1,222,369
Restricted:	
Capital fund stimulus	-10,732
Housing assistance payments	84,187
Unrestricted	187,626
Total net assets	<u>\$ 1,483,450</u>

EVANSDALE MUNICIPAL HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

Operating Revenues:	
Tenant rent revenue	\$ 73,078
Operating grants	530,978
Other operating revenues	8,403
Total operating revenues	<u>\$ 612,459</u>
Operating expenses:	
General service	\$ 107,202
Fiscal and administrative service	130,934
Total operating expenses	<u>\$ 238,136</u>
Operating income	<u>\$ 374,323</u>
Non-operating revenues (expenses):	
Grants	\$ 66,639
HAP payments	-404,819
Interest income	6,233
Provision for depreciation	-78,023
Total non-operating revenues (expenses)	<u>\$ -409,970</u>
Changes in net assets	\$ -35,647
HUD adjustments	-8,241
Net assets beginning of year	<u>1,527,338</u>
Net assets end of year	<u>\$ 1,483,450</u>

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Statement of Cash Flows

Year Ended June 30, 2009

Cash flows from operating activities:	
Cash received from tenant rents	\$ 73,748
Cash paid to suppliers for goods and services	-82,376
Cash paid to employees for services	-101,281
Other operating grants and revenues	589,594
Net cash provided by operating activities	<u>\$ 479,685</u>
Cash flows from non-capital financing activities:	
Grants received	\$ 55,907
HAP payments	-404,819
Net cash used for non-capital financing activities	<u>\$ -348,912</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>\$ -90,401</u>
Cash flows from investing activities:	
Proceeds from investments	\$ 130,257
Purchase of investments	-142,989
Interest on investments-reinvested	-6,941
Net cash used for investing activities	<u>\$ -19,673</u>
Net increase in cash and cash equivalents	\$ 20,699
Cash and cash equivalents beginning of year	<u>106,483</u>
Cash and cash equivalents end of year	<u><u>\$ 127,182</u></u>
Reconciliation of cash and cash equivalents to the statement of net assets:	
Cash and cash equivalents	\$ 121,557
Assets whose use is limited:	
Cash and cash equivalents	5,625
Total cash and cash equivalents	<u>\$ 127,182</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating income	<u>\$ 374,323</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	\$ 78,023
Changes in assets and liabilities:	
Decrease (Increase) in accounts receivable	46,012
(Increase) Decrease in prepaid expense	-354
(Decrease) Increase in accounts payable	-19,539
(Decrease) Increase in accrued payroll taxes	-1,308
(Decrease) Increase in other current liabilities	2,528
Total adjustments	<u>\$ 105,362</u>
Net cash provided by operating activities	<u><u>\$ 479,685</u></u>
Supplemental Disclosures of Cash Flow Information	
Cash paid for interest	<u>\$ 0</u>
Cash paid for income tax	<u>\$ 0</u>

See notes to financial statements.

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Note to Financial Statements

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Evansdale Municipal Housing Authority of Evansdale, Iowa is authorized to administer 126 units of Housing Choice Vouchers. As of the fiscal year ended June 30, 2009, 126 units were under lease. The Housing Choice Vouchers Program had as its date of inception August 1, 1981. The Section 8 Programs were combined into one as a result of Congress passing the Quality Housing and Work Responsibility Act. The Annual Contributions Contract has been renewed as the Housing Choice Vouchers Program. The Annual Contributions Contract with the Department of Housing and Urban Development is effective through October 1, 2009 for the Housing Choice Vouchers Program.

Evansdale Municipal Housing Authority administers 34 units of locally owned low-rent housing under the Department of Housing and Urban Development's Low-Rent Housing Program.

The Housing Authority's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Evansdale Municipal Housing Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Housing Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Housing Authority are such that exclusion would cause the Housing Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Housing Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Housing Authority. Evansdale Municipal Housing Authority has no component units which meet the Governmental Accounting Standards Board criteria. Evansdale Municipal Housing Authority is a component unit of the City of Evansdale, Iowa. The City is audited separately.

B. Basis of Presentation

GASB Statement No. 34, as amended by GASB Statement No. 37, established new financial reporting standards for state and local governments, which include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. GASB Statement No. 38 requires certain note disclosures when GASB Statement No. 34 is implemented.

The Statement of Net Assets displays the Housing Authority's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Restricted net assets include housing assistance payments equity and capital fund stimulus funds.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Housing Authority's policy to use restricted resources first.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Housing Authority applies all applicable GASB pronouncements for proprietary funds as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents – The Housing Authority considers savings accounts and all other highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable – Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual tenant balances.

Inventory – Inventory is valued at historical cost using the first-in, first-out method.

Capital Assets – Capital assets are carried at cost. The Housing Authority computes depreciation on buildings and equipment using primarily the straight-line method. Lives for the building and land improvements are fifteen to fifty years, while the equipment lives range from five to seven years.

F. Statement of Revenues, Expenses and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of rental services are reported as operating revenues and expenses. Grants received and Housing Assistance Payments are included in non-operating revenues and expenses.

NOTE 2 – CASH AND POOLED INVESTMENTS

The Housing Authority's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Housing Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Housing Authority's investments are in certificates of deposit and are stated at fair value.

The Housing Authority's investments at June 30, 2009 are as follows:

Certificate of Deposit	Interest Rate	Maturity	Carrying Value	Fair Value
First Security State Bank	3.00%	8-19-10	\$ 100,724	\$ 100,724
First Security State Bank	3.51%	8-15-09	44,516	45,516
			<u>\$ 145,240</u>	<u>\$ 145,240</u>

Interest rate risk – The Housing Authority's investment policy limits the investment of funds in instruments that mature within 397 days. The Housing Authority requests bids before it makes an investment.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Additions	Deletions	Adjustment	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 158,464	\$ -	\$ -	\$ -	\$ 158,464
Construction in progress	35,251	37,995	35,251	-	37,995
Total capital assets not being depreciated	<u>\$ 193,715</u>	<u>\$ 37,995</u>	<u>\$ 35,251</u>	<u>\$ -</u>	<u>\$ 196,459</u>
Capital assets being depreciated:					
Buildings	\$ 2,176,215	\$ 79,934	\$ -	\$ -	\$ 2,256,149
Improvements other than buildings	42,365	1,567	-	-	43,932
Equipment	48,021	-	-	-	48,021
Total capital assets being depreciated	<u>\$ 2,266,601</u>	<u>\$ 81,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,348,102</u>
Less accumulated depreciation for:					
Buildings	\$ 1,185,025	\$ 74,220	\$ -	\$ 156	\$ 1,259,401
Improvements other than buildings	13,213	2,834	-	-156	15,891
Equipment	45,931	969	-	-	46,900
Total accumulated depreciation	<u>\$ 1,244,169</u>	<u>\$ 78,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,322,192</u>
Total capital assets being depreciated, net	<u>\$ 1,022,432</u>	<u>\$ 3,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,910</u>
Total capital assets, net	<u>\$ 1,216,147</u>	<u>\$ 41,473</u>	<u>\$ 35,251</u>	<u>\$ -</u>	<u>\$ 1,222,369</u>

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The Housing Authority contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary for the year ended June 30, 2007, 3.90% for the year ending June 30, 2008, and 4.10% for the year ending June 30, 2009 and the Housing Authority is required to contribute 5.75% of annual covered payroll for the year ended June 30, 2007, 6.05% for the year ended June 30, 2008, and 6.35% for the year ended June 30, 2009. Contribution requirements are established by state statute. The Housing Authority's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$6,982, \$5,807 and \$4,552 respectively, equal to the required contributions for each year.

NOTE 5 – OPERATING LEASES

The Housing Authority leases its 34 apartments to individuals. These leases are one-year renewable leases, classified as operating leases. In most cases, management expects that, in the normal course of business, all leases will be renewed or replaced by other leases.

NOTE 6 – COMPENSATED ABSENCES

Housing Authority employees accumulated a limited amount of earned but unused vacation and sick time benefits for subsequent use or for payment upon termination, retirement or death. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on current rates of pay.

The Housing Authority's approximate liability for earned vacation and sick leave at June 30, 2009 is as follows:

Type of Benefit	Amount
Vacation	\$ 3,985
Sick leave	<u>4,342</u>
Total	<u>\$ 8,327</u>

NOTE 7 – RISK MANAGEMENT

Evansdale Municipal Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Housing Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 – ECONOMIC DEPENDENCE

Evansdale Municipal Housing Authority receives grant funds from the U.S. Department of Housing and Urban Development. The amount of income received each year is dependent on the amount of qualified Voucher Program Recipients and the Public Housing Operating Budget. During the current fiscal year ended June 30, 2009, income from these government grants represented 87% of Evansdale Municipal Housing Authority's total income.

Other Supplementary Information

EVANSDALE MUNICIPAL HOUSING AUTHORITY**General Service Expenses****Year Ended June 30, 2009**

Operation of plant:	
Wages	\$ 35,328
Contracts	14,687
Supplies	24,595
Electricity	2,142
Gas	1,458
Water	3,902
Sewer	5,460
Employee benefits	<u>19,630</u>
Total	<u>\$ 107,202</u>

EVANSDALE MUNICIPAL HOUSING AUTHORITY**Fiscal and Administrative Service Expenses****Year Ended June 30, 2009**

Administrative expenses:	
Wages	\$ 67,412
Audit	2,500
Employee benefits	13,777
Compensated absences	1,460
PILOT	6,012
Bad debt	-957
Insurance premiums	6,638
Other administrative expenses	<u>34,092</u>
Total	<u>\$ 130,934</u>

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Housing Choice Vouchers Program	14.871	\$ 404,288
Capital Funds Program	14.872	34,150
Public Housing Capital Fund Stimulus Recovery Act Funded Program	14.885	37,995
Low Rent Public Housing	14.850a	<u>121,184</u>
Total expenditures of federal awards		<u>\$ 597,617</u>

Notes to the Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Evansdale Municipal Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

EVANSDALE MUNICIPAL HOUSING AUTHORITY

**Financial Data Schedule
Balance Sheet**

June 30, 2009

	Low Rent Public Housing	Capital Fund Program	Housing Choice Voucher Program	
			Housing Assistance	Administrative
Assets				
Cash-unrestricted	\$ 33,780	\$ -	\$ -	\$ 4,590
Cash-restricted	-	-	84,187	-
Cash-security deposits	5,625	-	-	-
Total cash	<u>\$ 39,405</u>	<u>\$ -</u>	<u>\$ 84,187</u>	<u>\$ 4,590</u>
Accounts receivable-HUD	\$ -	\$ -	\$ -	\$ 2,410
Fraud recovery	-	-	-	9,374
Allowance for doubtful accounts- fraud recovery	-	-	-	-7,050
Accrued interest receivable	344	-	-	64
Total receivables, net of allowances for doubtful accounts	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,798</u>
Investments	\$ 100,724	\$ -	\$ -	\$ 44,516
Prepaid expenses	4,294	-	-	2,775
Due from other programs	11,623	10,732	-	-
Total other current assets	<u>\$ 116,641</u>	<u>\$ 10,732</u>	<u>\$ -</u>	<u>\$ 47,291</u>
Total current assets	<u>\$ 156,390</u>	<u>\$ 10,732</u>	<u>\$ 84,187</u>	<u>\$ 56,679</u>
Land	\$ 158,464	\$ -	\$ -	\$ -
Buildings	2,227,505	28,644	-	-
Equipment-dwelling	1,156	-	-	-
Equipment-administrative	48,021	-	-	-
Leasehold improvements	42,776	-	-	-
Construction in process	-	37,995	-	-
Accumulated depreciation	-1,321,715	-477	-	-
Total Fixed Assets, net of Accumulated depreciation	<u>\$ 1,156,207</u>	<u>\$ 66,162</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 1,312,597</u>	<u>\$ 76,894</u>	<u>\$ 84,187</u>	<u>\$ 56,679</u>

Capital Fund Stimulus Recovery Act Funded Program		Total
\$	-	\$ 38,370
	-	84,187
	-	5,625
\$	-	\$ 128,182
\$	10,732	\$ 13,142
	-	9,374
	-	-7,050
	-	408
\$	10,732	\$ 15,874
\$	-	\$ 145,240
	-	7,069
	-	22,355
\$	-	\$ 174,664
\$	10,732	\$ 318,720
\$	-	\$ 158,464
	-	2,256,149
	-	1,156
	-	48,021
	-	42,776
	-	37,995
	-	-1,322,192
\$	-	\$ 1,222,369
\$	10,732	\$ 1,541,089

EVANSDALE MUNICIPAL HOUSING AUTHORITY

**Financial Data Schedule
Balance Sheet**

June 30, 2009

	Low Rent Public Housing	Capital Fund Program	Housing Choice Voucher Program	
			Housing Assistance	Administrative
Liabilities				
Accounts payable-vendors	\$ 6,358	\$ -	\$ -	\$ 973
Accrued payroll taxes	5,279	-	-	1,338
Accrued compensated absences				
-current portion	2,337	-	-	2,167
Accrued PILOT	6,012	-	-	-
Security deposits	5,625	-	-	-
Due to other programs	-	-	-	11,623
Defined revenue	1,372	-	-	-
Total Current Liabilities	\$ 26,983	\$ -	\$ -	\$ 16,101
Accrued compensated absences				
-non-current	\$ 1,540	\$ -	\$ -	\$ 2,283
Total Liabilities	\$ 28,523	\$ -	\$ -	\$ 18,384
Net Assets				
Invested in capital assets, net of related debt	\$ 1,156,207	\$ 66,162	\$ -	\$ -
Unrestricted	138,599	-	-	-
Restricted -Capital Fund Stimulus	-	-	-	-
Administrative fee equity	-	-	-	38,295
Housing assistance payments equity	-	-	84,187	-
Total Net Assets	\$ 1,294,806	\$ 66,162	\$ 84,187	\$ 38,295

See the accompanying notes to the financial statements, which are an integral part of this exhibit.

Capital Fund Stimulus Recovery Act Funded Program		Total
\$	-	\$ 7,331
	-	6,617
	-	4,504
	-	6,012
	-	5,625
	10,732	22,355
	-	1,372
\$	10,732	\$ 53,816
\$	-	\$ 3,823
\$	10,732	\$ 57,639
\$	-	\$ 1,222,369
	-	138,599
	-	-
	-	38,295
	-	84,187
\$	-	\$ 1,483,450

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Financial Data Schedule Revenues and Expenses

Year Ended June 30, 2009

	Low Rent Public Housing	Capital Fund Program	Housing Choice Voucher Program	
			Housing Assistance	Administrative
Revenue				
Tenant rental revenue	\$ 73,078	\$ -	\$ -	\$ -
Tenant revenue-other	2,524	-	-	-
HUD operating grants	121,184	5,506	322,713	81,575
HUD capital grants	-	28,644	-	-
Fraud recovery	-	-	2,888	2,888
Investment income-unrestricted	2,962	-	-	1,556
Investment income-restricted	-	-	1,715	-
Other revenue	103	-	-	-
Total Revenue	\$ 199,851	\$ 34,150	\$ 327,316	\$ 86,019
Expenses				
Administrative:				
Administrative salaries	\$ 16,853	\$ -	\$ -	\$ 50,559
Audit	500	2,000	-	-
Employee benefit contributions	3,479	-	-	10,298
Office expenses	4,450	-	-	14,898
Legal expense	259	-	-	413
Travel	2,835	-	-	2,473
Other operating	4,506	-	-	3,187
Total administrative expenses	\$ 32,882	\$ 2,000	\$ -	\$ 81,828
Utilities:				
Water	\$ 3,902	\$ -	\$ -	\$ -
Electricity	2,142	-	-	-
Gas	1,458	-	-	-
Sewer	5,460	-	-	-
Total utilities expense	\$ 12,962	\$ -	\$ -	\$ -
Ordinary maintenance and operations:				
Labor	\$ 35,328	\$ -	\$ -	\$ -
Materials	24,595	-	-	-
Garbage and trash removal contracts	5,420	-	-	-
Heating and cooling contracts	2,455	-	-	-
Snow removal contracts	855	-	-	-
Landscaping and grounds contracts	2,629	-	-	-
Unit turnaround contracts	2,254	-	-	-
Extermination contracts	714	-	-	-
Miscellaneous contracts	1,215	-	-	-
Total ordinary maintenance and operations contracts	\$ 15,542	\$ -	\$ -	\$ -
Employee benefit contributions	\$ 19,630	\$ -	\$ -	\$ -
Total ordinary maintenance and operations	\$ 95,095	\$ -	\$ -	\$ -

Capital Fund Stimulus Recovery Act Funded Program		Total
\$	-	\$ 73,078
	-	2,524
	-	530,978
	37,995	66,639
	-	5,776
	-	4,518
	-	1,715
	-	103
\$	37,995	\$ 685,331
\$	-	\$ 67,412
	-	2,500
	-	13,777
	-	19,348
	-	672
	-	5,308
	-	7,693
\$	-	\$ 116,710
\$	-	\$ 3,902
	-	2,142
	-	1,458
	-	5,460
\$	-	\$ 12,962
\$	-	\$ 35,328
	-	24,595
	-	5,420
	-	2,455
	-	855
	-	2,529
	-	2,254
	-	714
	-	1,215
\$	-	\$ 15,542
\$	-	\$ 19,630
\$	-	\$ 95,095

EVANSDALE MUNICIPAL HOUSING AUTHORITY

**Financial Data Schedule
Revenues and Expenses**

Year Ended June 30, 2009

	Low Rent Public Housing	Capital Fund Program	Housing Choice Voucher Program	
			Housing Assistance	Administrative
Insurance:				
Property insurance	\$ 2,836	\$ -	\$ -	\$ -
Liability insurance	1,850	-	-	-
Workmen's compensation	1,108	-	-	-
All other insurance	844	-	-	-
Total insurance premiums	\$ 6,638	\$ -	\$ -	\$ -
Other general expenses:				
Compensated absences	\$ 1,040	\$ -	\$ -	\$ 420
Payments in lieu of taxes	6,012	-	-	-
Bad debts-tenant rents	-957	-	-	-
Other general expenses	-	-	-	216
Total other general expenses	\$ 6,095	\$ -	\$ -	\$ 636
Total operating expenses	\$ 153,672	\$ 2,000	\$ -	\$ 82,464
Excess revenue over operating expenses	\$ 46,179	\$ 32,150	\$ 327,316	\$ 3,555
Other expenses:				
Depreciation	\$ 77,546	\$ 477	\$ -	\$ -
Housing assistance payments:				
Tenant protection	-	-	7,965	-
All other	-	-	396,854	-
Total housing assistance payments	\$ -	\$ -	\$ 404,819	\$ -
Total other expenses	\$ 77,546	\$ 477	\$ 404,819	\$ -
Total expenses	\$ 231,218	\$ 2,477	\$ 404,819	\$ 82,464
Operating transfers in	\$ 3,506	\$ -	\$ -	\$ -
Operating transfers out	-	-3,506	-	-
Total other financing sources (uses)	\$ 3,506	\$ -3,506	\$ -	\$ -
Excess (Deficiency) of revenue over (under) expenses	\$ -27,861	\$ 28,167	\$ -77,503	\$ 3,555
Beginning equity	1,294,871	35,251	161,690	35,526
Correct prior year interprogram due from	\$ -924	\$ -	\$ -	\$ -786
Correct prior year operating transfers	-6,531	6,531	-	-
Correct prior year accounts receivable HUD	-	-6,531	-	-
Equity transfers	35,251	2,744	-	-
Total Prior period adjustments, equity transfers and correction of errors	\$ 27,796	\$ 2,744	\$ -	\$ -786
Ending balance equity	\$ 1,294,806	\$ 66,162	\$ 84,187	\$ 38,295

See accompanying independent auditor's report.

Capital Fund Stimulus Recovery Act Funded Program		Total
\$	-	\$ 2,836
	-	1,850
	-	1,108
	-	844
\$	-	\$ 6,638
\$	-	\$ 1,460
	-	6,012
	-	-957
	-	216
\$	-	\$ 6,731
\$	-	\$ 238,136
\$	37,995	\$ 447,195
\$	-	\$ 78,023
	-	7,965
	-	396,854
\$	-	\$ 404,819
\$	-	\$ 482,842
\$	-	\$ 720,978
\$	-	\$ 3,506
	-	-3,506
\$	-	\$ -
	37,995	-35,647
	-	1,527,338
\$	-	\$ -1,710
	-	-
	-	-6,531
	-37,995	-
\$	-37,995	\$ -8,241
\$	-	\$ 1,483,450

Independent Auditor's Report on Internal Control over Financial Reporting
And on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Board of Directors
Evansdale Municipal Housing Authority

I have audited the financial statements of Evansdale Municipal Housing Authority (a non-profit organization) as of and for the year ended June 30, 2009, and have issued my report thereon dated December 14, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Evansdale Municipal Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Evansdale Municipal Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organizations internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with US generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

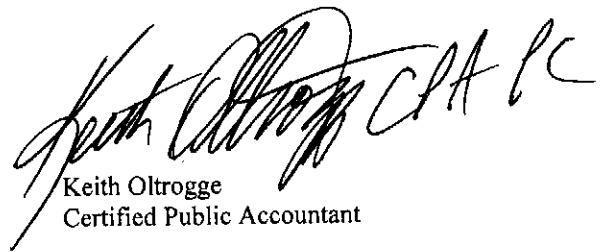
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Evansdale Municipal Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA PC", is written over the printed name and title.

Keith Oltrogge
Certified Public Accountant

December 14, 2009

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Directors
Evansdale Municipal Housing Authority

Compliance

I have audited the compliance of Evansdale Municipal Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Evansdale Municipal Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Evansdale Municipal Housing Authority's management. My responsibility is to express an opinion on Evansdale Municipal Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Evansdale Municipal Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Evansdale Municipal Housing Authority's compliance with those requirements.

In my opinion, Evansdale Municipal Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

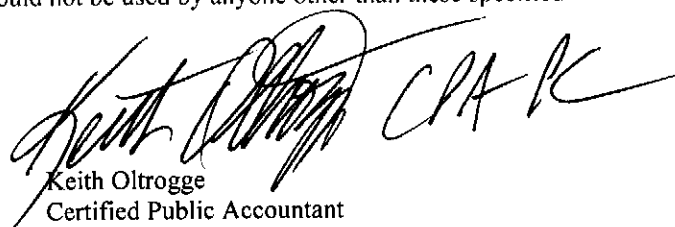
The management of Evansdale Municipal Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Evansdale Municipal Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Evansdale Municipal Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Keith Oltrogge
Certified Public Accountant

December 14, 2009

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Schedule of Findings

Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- a) An unqualified opinion was issued on the financial statements.
- b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance, which is material to the financial statements.
- d) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 14.871 – Housing Choice Vouchers Program.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Evansdale Municipal Housing Authority did not qualify as a low-risk auditee.

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Schedule of Findings

Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

(None)

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Schedule of Findings

Year Ended June 30, 2009

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 14.885: Capital Fund Stimulus Recovery Act Funded Program

CFDA Number 14.850a: Low-Income Housing Program

CFDA Number 14.872: Capital Fund Program

CFDA Number 14.871: Housing Choice Vouchers Program

Federal Award Year: 2009

U.S. Department of Housing & Urban Development

(None)

EVANSDALE MUNICIPAL HOUSING AUTHORITY

Schedule of Findings

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

IV-B-09 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense – No expenditures of Housing Authority money for travel expenses of spouses of Housing Authority officials and/or employees were noted.

IV-D-09 Business Transactions – No business transactions between the Housing Authority and Housing Authority officials were found.

IV-E-09 Board Minutes – No transactions were found that I believe should have been approved in the Board minutes but were not.

IV-F-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Housing Authority's investment policy were noted.